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May 30, 2014

Honorable Judge Steven W. Rhodes
U.S. Bankruptcy Court
Eastern District of Michigan, Southern Division
211 W. Fort Street, Suite 1800
Detroit, MI 48226

Subject: Case #13-53846 (Detroit Bankruptcy)

Dear Judge Rhodes:

The bankruptcy of the City of Detroit is proving to be a very stressful period for the Detroit retirees. I worked for the City of Detroit 34½ years, requested and received estimates of my monthly pension check, and I reviewed the Michigan law to confirm that our pensions were protected before I retired in 2008. Nevertheless, we find ourselves struggling to maintain our financial health. This letter will give you a snapshot of how the reductions will affect my finances. I am fortunate to have a gross monthly pension of **$5,445.05.** Under the current Plan of Adjustment (POA), my monthly check will be cut by 20% ($4.5% reduction + 15.5% Annuity Clawback) resulting in a gross check of about **$4356.00**.

How the Current POA Will Affect My Monthly Budget:

4.5% cut to pension	245.00	
15.5% clawback	+ 844.00	
TOTAL	1089.00	
Healthcare Premium	+ 532.00	
TOTAL	**$1,621.00**	**(29.7% in new reductions in pension)**

My Current Pension $5445.05 - three new reductions of $1,621.00 = $3834.00 remaining for state and federal taxes and living expenses.

The approximate $3800.00 that remains must be stretched to pay my monthly bills and meet basic needs. However, it will be difficult because I now pay premiums, prescriptions and co-pays. I'm single, not old enough for Social Security, have no dependants to claim and did not qualify for healthcare subsidies. My healthcare deductible ($1,650.00) is one of the lowest offered with a low $532.00 premium. This means, I must pay the provider cost of prescriptions until I complete the deductible obligation. As an example, I have been using a generic inhaler, Pulmicort, several years to control my asthma at a cost of $15.00 per monthly refill under my old healthcare plan. Under my new healthcare plan, effective March 1, 2014, I now pay Walgreen's $177.00 for each monthly refill until I fulfill the deductible obligation. I'm blessed to be healthy and active. As a result, I probably won't fulfill the deductible in the

current contract year. If I want to change to a $250.00 deductible, my premium will soar to $690.00 per month.

<u>Annuity Clawback</u>
Mr. Orr's Plan of Adjustment (POA) states that the city will take back a portion of the excessive interest earned on our Annunity Savings Fund (ASF) and this "clawback" will be linked to our life expectancy. Specifically, it reads, "the recovery will be limited to **20%** of the highest value of such participant's ASF account balance between July 1, 2003 and June 30, 2013 (including any unpaid loans taken by the participant from his or her ASF account as of such date)." We were paid 7.9% annually and **I expected to see the actual return rates, by year, in my ballot. However, the ballot did not include return rates for any of the years in question nor the value that was used for the life expectancy**. I should not be surprised since each version of the POA always lacked the significant exhibits related to the General Retirement System.

My ballot shows a **Recoupment Balance of $108,987.00** with **monthly payments of $844.00**. Using these numbers, I made the following calculations:

$844.00/month x 12 months= $10,128.00 per year x 11 years = $111,408.00
The calculations show that I could pay off my recoupment balance in less than eleven years. However, if the information I obtained on May 20, 2014 from Dentons Group US LLP (representing the Retiree Committee) is true, Mr. Orr has another POA "up his sleeve."

The "UNDISCLOSED PLAN" will require me to continue making lifetime payments of $844.00 per month, long after I have completed the paying recoupment balance. Per the Dentons Group, Mr. Orr's reasoning is that our **over payment** will cover the uncollected payments from retirees that expire before they complete the payments on their recoupment. Additionally, we were informed at the Dentons' Town Hall Meeting on May 21, 2014 that Mr. Orr wants us to pay interest at the rate of 6.75% on our recoupment balances. How does Mr. Orr think he can charge me interest on money that I did not borrow? If he eliminates the possibility of pay off, I could pay back 60% of my annuity balance if I live into my nineties! Would a reasonable person think this plan is fair or legal? I don't mind paying back the recoupment balance to the City. I was willing to approve the POA and repay my share, but how do you expect me to vote on a POA when all of the parties are not being truthful! Did Mr. Orr intentionally leave out crucial information just to get the retirees to sign off on our rights to sue? Was the 6.75% interest and the lifetime recoupment suppose to be a surprise? What other crucial pieces of information did Mr. Orr fail to disclose to the retirees?

These reductions and healthcare costs will eat away at my income and the ability to save each month. Just imagine what will happen to the retirees with a pension smaller than mine. I remember reading that the City did not want anyone to drop below the Federal Poverty Level (FPL). One dollar above the FPL is still poverty! **If these pension cuts are imposed, Detroit retirees will still have to pay the current price**

for groceries, gasoline, insurance, property taxes, mortgages and utilities. These costs continue to soar and many retirees are already struggling. Did I mention that my father and my mother are retirees of Detroit? They are healthy and active but the prescription costs under the new plan is taking a bite out of their pension checks. Most retirees have no money left at the end of the month and will surely have to seek aid from the State of Michigan if the pension cuts occur. Without the Cost Of Living Allowance (COLA), they will continue to sink deeper into a financial pit. Sadly, several retirees have already told me they will have to walk away from their homes if these reductions are imposed. Unlike Mr. Orr, I believe people come before things. If cuts are necessary to backfill the General Retirement System, we need to take a closer look at some of the offers to pay up to two billion dollars for the art in the DIA.

Judge Rhodes, we are asking you to study Mr. Orr's Plan of Adjustment carefully and prayerfully, before you make a monumental change in the lives of the Detroit retirees. Your decision will affect retirees across the country in years to come.

Sincerely,

Paula J. Lytle

Paula J. Lytle, MS
Detroit Retiree